

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* LYONS TOWNSHIP DISTRICT LIBRARY	County* IONIA	Type* LIBRARY	MuniCode*
Opinion Date-Use Calendar* Aug 15, 2008	Audit Submitted-Use Calendar* Aug 31, 2008	Fiscal Year End Month* 02	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 137,826.00
General Fund Expenditure:	<input type="checkbox"/> \$ 121,949.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 139,272.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* LAWRENCE	Last Name* TIEJEMA	Ten Digit License Number* 1101026843		
CPA Street Address* 31 E MAIN ST PO BOX 10	City* SARANAC	State* MI	Zip Code* 48881	Telephone* +1 (616) 642-0384
CPA Firm Name* LAWRENCE TIEJEMA, PC	Unit's Street Address* 31 E MAIN ST PO BOX 10	Unit's City* SARANAC	Unit's Zip* 48881	

LYONS TOWNSHIP DISTRICT LIBRARY

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FORM 496

STATEMENT ON ANSWERS

STATEMENT

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MUNICODE: LYONS TOWNSHIP DISTRICT LIBRARY IS A PUBLIC LIBRARY THAT DOES NOT  
NOT HAVE A MUNI-CODE.

QUESTION 8: THE LYONS TOWNSHIP DISTRICT LIBRARY DOES NOT COLLECT TAXES, BUT  
RECEIVES ITS MILLAGE AND PENAL FINE REVENUE FROM THE TREASURER'S  
OFFICE OF THE COUNTY OF IONIA.

QUESTION 12: THE REPEATED DEFICIENCY IS LACK OF TIMELY BANK RECONCILIATIONS  
FOR ALL MONTHS.

QUESTION 17: DEPOSIT ACCOUNTS WERE NOT RECONCILED TO THE BANK ON A CONSISTENT  
AND TIMELY BASIS.

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# LYONS TOWNSHIP DISTRICT LIBRARY

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INDEPENDENT AUDITOR'S REPORT

August 15, 2008

The Library District Board  
Lyons Township District Library  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities of Lyons Township District Library, Ionia County, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Library District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library District management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Lyons Township District Library, as of February 29, 2008, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 15, 2008, on my consideration of Lyons Township District Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 5 to 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township District Library basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema, PC.

August 15, 2008

## **Management Discussion and Analysis**

The Lyons Township District Library is making good use of its new building. Additional shelving is accommodating many new additions to our book collection, and five (5) computers donated by the Bill and Melinda Gates Foundation are meeting the information technology needs of our many users, both adult and youth. In addition, the Library has sponsored or participated in several programs for Patrons and/or staff, and made improvements to our building.

### **Library Programs**

Weekly Pre-school Story Hour includes Story, Activities, & Snack  
Summer Reading Program for Children & Picnic  
Monthly Book Discussion Group  
Annual Ionia Countywide Book Discussion  
Special Book Discussions on "Twilight Series"  
Workshop on "Writing Your Life Story"  
Ionia County Library Bookmark Contest & Awards Ceremony

### **Improvements from Past Year**

Landscaping	Painting Children's Area
Painting Board Room	New shelving in Children's Area
Water Cooler in Board Room	Storage Building
New windows and outside door	

### **Financial Highlights**

- (1) The Lyons District Library left the Capital Library Cooperative and joined the Woodland Library Cooperative when the Capital Library Cooperative was dissolved. The District Library received refunds and reimbursements from Capital Cooperative of \$2,576.
- (2) The Library Board approved a checking account for the Director to allow her to make purchases at places where library materials are available at reduced prices. Previously, the Director has paid for library materials with personal funds and applied for reimbursement.

- (3) The Library Board purchased an Eagle Security System after a break-in at the Library resulted in a small financial loss. The cost of the system and setup was \$885.
- (4) The Library obtained a storage shed from Lowe's at a cost of \$1,138. The local Boy Scout troop assembled the shed.
- (5) Some improvements were made to the library building and shelving units. Valentine Builders completed a door and window upgrade at a cost of \$2,025. J & S Woodworks built book shelving for children's books for \$4,020.
- (6) A new Dell laptop computer was purchased for the Director for \$1,986. The Director can now perform work procedures in locations outside the office.
- (7) The Lyons Village donated a heavy-duty bench and two picnic tables. The Village also installed the bench to a permanent location with cement. The value of this donation is approximately \$1,000. In addition, Charles Babcock, Lyons Township Supervisor, donated a bookshelf and 2 file cabinets.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District Library's basic financial statements. The District Library's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the District Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Library is improving or deteriorating. The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Local governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Lyons Township District Library has no such activities. All financial resources and expenditures are maintained in the general fund. Through its general fund, Lyons Township District Library provides library services for Lyons Township and the villages of Muir, Lyons, and Pewamo. The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 18 to 28 of this report.



### **Net Assets of Lyons Township District Library**

	Year ended February 29, 2008	Year ended February 28, 2007
Current and other assets	\$ 145,803	\$ 125,738
Capital assets	271,745	286,276
Total assets	417,548	412,014
Long-term liabilities outstanding		
Other liabilities	6,531	2,343
Total liabilities	6,531	2,343
Net assets:		
Invested in capital assets, net of		
related debt	271,745	286,276
Restricted		
Unrestricted	139,272	123,395
Total net assets	\$ 411,017	\$ 409,671

Current assets are made up of checking, savings, and investments accounts, prepaid expenses, and library millage receivable from the County of Ionia. Current assets went up \$20,065 during the year just ended. Checking and savings accounts increased by \$16,649 and the CD investment grew by \$1,050. Capital assets fell by \$14,531 since the cost of new capital assets was exceeded by depreciation expense. Accounts payable increased by \$4,188. The accrual of a \$2,500 pension contribution to the library director was the main factor in this increase.

## Lyons Township District Library Changes in Net Assets

	Year ended February 29, 2008	Year ended February 28, 2007
Revenue:		
Program revenue:		
Charges for services	\$ 3,484	\$ 3,521
General revenue:		
Property taxes	86,305	79,362
Penal Fines	39,536	35,749
State revenue sharing	2,916	2,664
Other	5,585	7,523
Total revenue	137,826	128,819
Expenses:		
Library personnel	68,383	58,377
Library materials	34,943	32,633
Library administration	33,154	28,781
Total expenses	136,480	119,791
Increase (decrease) in net assets	1,346	9,028
Net assets - beginning of year	409,671	400,643
Net assets - end of year	\$ 411,017	\$ 409,671

Income from the library millage increased by \$6,943 for the year ended February 29, 2008, as property values and new construction increased the property values in the district. The amount coming from other income fell because the prior year contained the donation of 5 computers by the Bill and Melinda Gates Foundation. The main item in other income this year was the refund from Capital Library Cooperative when it disbanded. Library administration costs increased by \$4,373 as increases were experienced in building maintenance and repairs, computer repairs, and snow removal. Library personnel costs rose \$10,006 or 17.2% as personnel benefits went up \$3,184.

## Lyons Township District Library – Statement of Capital Assets

	Year ended February 29, 2008	Year ended February 28, 2007
Building and Improvements	150,373	150,414
Book Collection	100,678	116,105
Machinery and Equipment	20,694	19,757
<b>Total Capital Assets</b>	<b>271,745</b>	<b>286,276</b>

The District Library's purchase of \$26,041 in new assets during the year ended February 29, 2008, compared to \$28,840 in the year before. The library purchased \$14,987 in books which are expensed over a 10 year period. Building improvements of \$4,048 included installation of an Eagle Alarm System, a door/window upgrade, and the purchase of a storage shed. In addition, children's book shelving and director's laptop computer were purchased for \$6,006 and a bench and 2 picnic tables having a value of \$1,000 were donated by the Village of Lyons. The Library Board continues to look for ways to upgrade the facility, its resources, and the library's programs at a reasonable cost.

### Looking to the Future

Our library has completed another successful year in our new building. The additional bookshelves have helped us to add to our book collection and appeal to the many and varied interests of our patrons. The remodeling in the board room has made the building more secure and attractive. The 5 new computers installed with a high-speed internet connection are being used on a regular basis.

Our library's funding is fairly stable. The library millage and penal fines represent nearly 90% of our yearly revenues. While penal fine revenue can vary from year to year, the library millage revenue increases about 2 to 3% a year. Our current fund balance of \$139,272 is slightly more than our total expenditures for one year. This will help us to get through a year in which penal fines and state revenue sharing goes down.

A long-term concern is that the County Library Millage will expire in 2017, and if the current financial problems plaguing the State and Nation continue, it will most likely be a real struggle to convince the voters of Ionia County to renew this millage. The loss of the Millage funds would severely hamper our ability to provide services to our Patrons and would most certainly necessitate staff layoffs.

We continue to make incremental improvements to our physical plant. Some that are scheduled for the coming year are painting the remainder of the interior of the Library, and obtaining an Oak Table and Oak Magazine Rack for the children's area and replacement of the facsimile machine.

The Lyons District Library is sponsoring several excellent programs while always looking to fill the additional needs of our patrons. These programs include a summer reading program, adult book club, and pre-school reading program. We continue to balance the needs of our patrons within the financial reality of our budget. Our financial reserve will help us to provide quality library services in the coming years.

# **LYONS TOWNSHIP DISTRICT LIBRARY**

## **STATEMENT OF NET ASSETS**

	<b>Governmental Activities</b>	
	<b>February 29, 2008</b>	<b>February 28, 2007</b>
<b>Assets</b>		
Current assets		
Cash and deposits	\$ 37,317	\$ 22,668
Investments	21,954	20,904
Prepaid expenses	2,896	2,804
Due from other governments	83,636	79,362
Total current assets	145,803	125,738
Non-current assets		
Capital assets	518,787	492,746
Less: accumulated depreciation	(247,042)	(206,470)
Net capital assets	271,745	286,276
<b>Total Assets</b>	<b>417,548</b>	<b>412,014</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	6,531	2,343
Total current liabilities	6,531	2,343
<b>Net Assets</b>		
Invested in capital assets	271,745	286,276
Unrestricted net assets	139,272	123,395
<b>Total net assets</b>	<b>\$ 411,017</b>	<b>\$ 409,671</b>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
<b>Governmental activities:</b>			
Culture and recreation:			
Library personnel	\$ 68,383	\$ -	\$ (68,383)
Library materials	34,943	2,001	(32,942)
Library administration	<u>33,154</u>	<u>1,483</u>	<u>(31,671)</u>
Total government activities	<u>136,480</u>	<u>3,484</u>	<u>(132,996)</u>
General revenues:			
Property taxes			86,305
Penal fines			39,536
State revenue sharing			2,916
Investment earnings			1,055
Other revenues			<u>4,530</u>
	Total general revenues		134,342
	Changes in net assets		<u>1,346</u>
	Net assets at the beginning of year		409,671
	Net assets at the end of year		<u>\$ 411,017</u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS – BALANCE SHEET**

	<u>February 29, 2008</u>	<u>February 28, 2007</u>
<b>ASSETS:</b>		
Cash and deposits	\$ 37,317	\$ 22,668
Investments	21,954	20,904
Prepaid expenses	2,896	2,804
Due from other governments	<u>83,636</u>	<u>79,362</u>
<b>TOTAL ASSETS</b>	<u><u>145,803</u></u>	<u><u>125,738</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable	<u>6,531</u>	<u>2,343</u>
<b>TOTAL LIABILITIES</b>	<u>6,531</u>	<u>2,343</u>
<b>FUND BALANCE</b>		
Undesignated	139,272	123,395
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 145,803</u></u>	<u><u>\$ 125,738</u></u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**

**Governmental  
Funds**

**Reconciliation of Fund Balances of Governmental Funds to Net Assets**

**February 29, 2008**

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Fund balance -- total governmental funds.....	\$	139,272
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Add -- capital assets.....		518,787
Deduct -- accumulated depreciation.....		(247,042)
Net assets of governmental activities.....	\$	<u>411,017</u>

The accompanying notes are an integral part of these financial statements.



# **LYONS TOWNSHIP DISTRICT LIBRARY**

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**

	<b>GENERAL FUND</b>	
	<b>Year ended 02/29/08</b>	<b>Year ended 02/28/07</b>
<b>REVENUES:</b>		
Property taxes	\$ 86,305	\$ 79,362
Penal fines	39,536	35,749
State revenue sharing	2,916	2,665
Interest earnings	1,055	912
Donations	1,474	6,611
Other revenues	6,540	3,520
<b>TOTAL REVENUES</b>	<b>137,826</b>	<b>128,819</b>
<b>EXPENDITURES:</b>		
Wages	57,432	51,351
Payroll taxes	4,329	4,025
Fringe benefits	6,622	3,001
Books	15,900	19,356
Periodicals	747	630
Supplies and travel	4,876	3,362
Repairs and maintenance	2,035	1,181
Equipment rental	431	315
Audio-visual	2,869	2,431
Membership dues and fees	3,934	3,847
Insurance	3,217	3,115
Utilities	5,234	4,914
Professional services	3,269	3,358
Capital outlay	11,054	9,957
<b>TOTAL EXPENDITURES</b>	<b>121,949</b>	<b>110,843</b>
 Excess of revenues over (under) expenditures	 15,877	 17,976
 Fund balances, beginning of year	 123,395	 105,459
 Fund balances, end of year	 <u>\$ 139,272</u>	 <u>\$ 123,435</u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP DISTRICT LIBRARY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**YEAR ENDED FEBRUARY 29, 2008**

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Net change in fund balances -- total government funds.....	\$	15,877
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:		
Add -- Capital Assets acquired and expensed by depreciation		26,041
Deduct - depreciation expense.....		(40,572)
Change in net assets of government activities.....	\$	<u>1,346</u>

**The accompanying notes are an integral part of these financial statements.**

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lyons Library was formed in 1980 and organized as the Lyons Township District Library in January 2003, under the applicable laws of the State of Michigan. The District Library is governed by an 8-member Library Board appointed by the municipalities of Lyons Township, Village of Lyons, Village of Muir, and Village of Pewamo with each municipality appointing 2 members. The goal of the Lyons Township District Library Board is to provide efficient and courteous library service, encourage the education of library personnel, and support the Library Bill of Rights.

The financial statements of the Library District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District Library's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Lyons Township District Library.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Library District. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**Fund Accounting**

The accounts of the District Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate. The District Library currently accounts for all assets, liabilities, fund equity, revenues, and expenditures in one fund, the General Fund. Thus, all library resources are allocated to and accounted for in the General Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Library has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The District Library follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from the library director, library employees, and the library board.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.

**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. The Lyons Township District Library has no restrictions on its net assets.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The District Library does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an estimated useful life in excess of one year and a cost of \$500 or more. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

**Property Taxes**

The library millage for the District Library is attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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These winter tax bills include the District Library's voted millage. Subsequent to the winter tax collections by the townships, the County Treasurer remits the district library's share of the property taxes.

**Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of District Library has no reservation or designations of its \$139,272 fund balance.

**Risk Management**

The District Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 29, 2008, the District Library was covered by a liability and property insurance policy through the Michigan Municipal League Liability and Property Pool.

The insurance limitations are: Property, \$341,838; Liability, \$1,000,000; Wrongful acts, \$1,000,000; Employee bonds, \$100,000.

**2. CASH AND DEPOSITS AND INVESTMENTS**

The carrying amount of the District Library deposits at February 29, 2008, is \$59,271. All of these deposits are insured by the Federal Deposit Insurance Corporation. In accordance with State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of District Library and a specific fund or common account. They are recorded in the District Library records at fair value.



**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**Statutory Authority**

State statutes authorize the District Library to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.
4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

District Library investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District Library or its agent in the District Library's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the District Library's name.

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District Library's name. Investments held by the District Library are reported at fair value.

All deposit accounts of Lyons Township District Library are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 02/29/08</u>
General Fund:		
Independent Bank	General Fund checking accounts	\$ 36,195.96
Independent Bank	General Fund Maxi savings account	1,096.27
Independent Bank	Certificate of deposit	21,953.86
District Library office	Petty cash	25.00
		<hr/>
	TOTAL DEPOSITED FUNDS.....	<u>\$ 59,271.09</u>

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	Balance March 1, 2007	Additions	Disposals	Balance February 29, 2008
Governmental activities:				
Capital Assets:				
Buildings and Improvements	\$158,533	4,048		\$162,581
Book Collection	296,654	14,987		311,641
Furniture and equipment	37,559	7,006		44,565
<b>Total Assets</b>	<b>492,746</b>	<b>26,041</b>		<b>518,787</b>
Less accumulated depreciation:				
Buildings and Improvements	8,119	4,089		12,208
Book Collection	180,549	30,414		210,963
Furniture and equipment	17,802	6,069		23,871
<b>Total depreciation</b>	<b>206,470</b>	<b>40,572</b>		<b>247,042</b>
<b>Capital Assets, net</b>	<b>\$286,276</b>			<b>\$ 271,745</b>

Depreciation expense was charged to functions/programs of the general government as follows:

Library materials.....	\$ 30,414
Library administration.....	<u>10,158</u>
Total depreciation.....	<b>\$ 40,572</b>

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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**4. PENSION PLAN**

The Lyons Township District Library does not have a pension plan for its employees. However, the District Library provides an amount to the librarian to invest in a tax sheltered annuity. For the year ended February 29, 2008, the District Library provided \$2,500 for this purpose.

**5. LITIGATION**

In the normal course of its activities, the District Library has become a party in various legal actions and consultations. Management of the District Library is of the opinion that the outcome of such actions will not have a material effect on the financial position of the District Library and, therefore, has not reflected loss reserves in the financial statements.

**6. PREPAID EXPENSES**

The Lyons Township District Library has paid expenses for several activities under agreements that extend beyond the fiscal year ended February 29, 2008. Prepaid expenses as of February 29, 2008, are the following:

Property Insurance.....	\$ 2,636
Worker's Compensation Insurance.....	197
Books: audio-book lease.....	<u>63</u>
Total Prepaid Expenses.....	\$ 2,896

**LYONS TOWNSHIP DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2008**

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**7. DUE FROM OTHER GOVERNMENTS**

The public library system in Ionia County is supported by a voted millage. Tax bills for year 2007 were sent to all owners of real and personal property in the District in December 2007 with a due date of February 14, 2008. In accordance with accepted governmental accounting standards, the voted millage is revenue for the year ended February 29, 2008, even though the proceeds from this millage are not paid to the Library District until after the close of the fiscal year. Accordingly, millage proceeds of \$83,636 have been accrued as of February 29, 2008.

## **SUPPLEMENTAL INFORMATION**

### **GENERAL FUND**

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The General Fund is used to account for District Library resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from a voted library millage, penal fines, state revenue sharing, fees for library services.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**LYONS TOWNSHIP DISTRICT LIBRARY  
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND  
YEAR ENDED FEBRUARY 29, 2008**

	<b>BUDGETED AMOUNTS</b>			<b>VARIANCE POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Property taxes	\$ 79,000	\$ 79,000	\$ 86,305	\$ 7,305
Penal fines	35,700	35,700	39,536	3,836
State revenue sharing	2,600	2,600	2,916	316
Donations	200	200	1,474	1,274
Library services	1,575	1,575	2,001	426
Library fines	750	750	1,183	433
Merchandise sales	325	325	300	(25)
Interest	800	800	1,055	255
Other revenue	-	-	3,056	3,056
<b>TOTAL REVENUES</b>	<b>120,950</b>	<b>120,950</b>	<b>137,826</b>	<b>16,876</b>
<b>EXPENDITURES:</b>				
Wages	56,000	56,000	57,432	(1,432)
Payroll taxes	5,000	5,000	4,329	671
Fringe benefits	3,950	3,950	6,622	(2,672)
Books	16,500	16,500	15,900	600
Periodicals	500	500	747	(247)
Supplies	5,075	5,075	4,876	199
Repairs and maintenance	3,300	3,300	2,035	1,265
Equipment rental	\$ 450	\$ 450	\$ 431	\$ 19

**LYONS TOWNSHIP DISTRICT LIBRARY  
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND  
YEAR ENDED FEBRUARY 29, 2008**

	BUDGETED AMOUNTS			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Audio Visual	2,000	2,000	2,869	(869)
Membership dues and fees	3,870	3,870	3,934	(64)
Insurance	3,500	3,500	3,217	283
Utilities	5,000	5,000	5,234	(234)
Professional services	3,900	3,900	3,269	631
Capital outlay	-	-	11,054	(11,054)
Miscellaneous	2,000	2,000	-	2,000
Contingency	-	11,000	-	11,000
<b>TOTAL EXPENDITURES</b>	<b>111,045</b>	<b>122,045</b>	<b>121,949</b>	<b>96</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>9,905</b>	<b>(1,095)</b>	<b>15,877</b>	<b>16,972</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,905</b>	<b>(1,095)</b>	<b>15,877</b>	<b>16,972</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>123,395</b>	<b>123,395</b>	<b>123,395</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 133,300</b>	<b>\$ 122,300</b>	<b>\$139,272</b>	<b>\$ -</b>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

August 15, 2008

The Library Board  
Lyons Township District Library  
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Lyons Township District Library, State of Michigan, as of and for the year ended February 29, 2008, which collectively comprise the District Library's basic financial statements and have issued a report thereon dated August 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered Lyons Township District Library's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District Library's internal control over financial reporting

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District Library's internal control.

I noted no material weaknesses in the internal control system of the Lyons Township District Library. However, I did note four significant deficiencies that are described in the attached schedule that are titled 2008-1 through 2008-4.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyons Township District Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence Tiejema, PC.

August 15, 2008

## **SCHEDULE OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

### **LYONS TOWNSHIP DISTRICT LIBRARY**

**YEAR ENDED FEBRUARY 29, 2008**

- 2008-1: The District Library's accounting personnel do not prepare the accruing entries necessary for the preparation of the government-wide financial statements. They rely on the auditor to make all of these adjustments.

District Library's response:

**The District Library will hire accounting personnel who will be trained or receive training to make accruing entries for the next audit.**

- 2008-2: The differences between the bank balances and the book balances are not resolved timely on a monthly basis.

District Library's response:

**The District Library's accounting personnel will balance all deposit accounts on a timely basis.**

- 2008-3: The District Library does not have a formal procedure for recognizing equipment obtained with donated funds and recording the disposal of equipment when it is sold.

District Library's response:

**The District Library's accounting personnel will record donations of equipment at their fair market value on the date of the donation and record all equipment sold in a separate account.**

- 2008-4: The District Library does not maintain by date and cost a capital asset schedule that records the acquisition of equipment, disposal of equipment, and the charging of current year depreciation.

District Library's response:

**The District Library's accounting personnel will maintain a fixed asset schedule that includes all buildings and equipment that have an original cost of \$500 or more.**